
**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
POLICY SUBCOMMITTEE
OF THE
INVESTMENT COMMITTEE**

MINUTES OF MEETING

December 13, 2010

A meeting of the Policy Subcommittee was held on Monday, December 13, 2010 in the Lincoln Plaza North Building, Auditorium, 400 Q Street, Sacramento, California.

The meeting was called to order at approximately 4:30 p.m. and the following members were present:

Louis F. Moret, Chair
JJ Jelincic, Vice Chair
Patricia Clarey
George Diehr
Priya Mathur

Other Board members present:

Bill Dowell represented Bill Lockyer

AGENDA ITEM 2 – APPROVAL OF THE AUGUST 2010 MEETING MINUTES

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED** to approve the August 16, 2010 meeting minutes as presented.

Ms. Mathur abstained.

AGENDA ITEM 3a – GLOBAL FIXED INCOME, Revision of Policy on Barclays Aggregate Program

Curtis Ishii, Senior Investment Officer, presented the item. Michael Schlachter, Wilshire Consulting, was available to respond to questions from the Subcommittee.

The Subcommittee deliberated upon revisions to the Policy for the Barclays Aggregate Program. Staff proposed reducing the targeted alpha and risk by 50%, which would require the Statement of Investment Policy for the Global Fixed Income Program to be revised through a reduction in ranges and flexibility of active management parameters effective September 13, 2010.

On **MOTION** by Mr. Diehr, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Statement of Investment Policy for Barclays Aggregate Program.

AGENDA ITEM 4b –SYNTHETIC ENHANCED EQUITY STRATEGY POLICIES – Revision of Policy on Internally Managed Global Enhanced Equity Strategies

Eric Baggesen, Senior Investment Officer, presented the item. Michael Schlachter, Wilshire Consulting, was available to respond to questions from the Subcommittee.

Staff presented proposed changes to the policy which included:

- Limit the size of the strategy to 5% of the Global Equity asset class at the time of purchase. If the exposure reaches 10%, it would trigger a plan to reduce the strategy back to the 5% limit.
- Clarify the equity index derivatives language
- Provide reference to the overall leverage policy

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Policy on Internally Managed Global Enhanced Equity Strategies.

AGENDA ITEM 4a –SYNTHETIC ENHANCED EQUITY STRATEGY POLICIES – Revision of Policy on Low Duration Fixed Income Program

Curtis Ishii, Senior Investment Officer, presented the item.

Staff addressed changes to the Low Duration Fixed Income Program policy which included adding a new low liquidity, low duration fund called the Low Liquidity Enhanced Return Fund (LLER). The LLER complements the current higher liquidity High Quality LIBOR and Short Duration programs.

On **MOTION** by Ms. Mathur, **SECONDED** and **CARRIED** to recommend to the Investment Committee approval of the revised Low Duration Fixed Income Policy.

AGENDA ITEM 5 – Discussion of the Role of Investment Consultants

Janine Guillot, Chief Operating Investment Officer, presented a report which described the role of our private asset class investment consultants which explores the independence and the economics surrounding consultant dual roles.

The Subcommittee provided input and staff will develop recommendations for presentation at a future date.

AGENDA ITEM 6 – AGENDA AND CALENDAR

a. Draft Agenda

The Subcommittee accepted the proposed February 14, 2011 draft agenda.

b. 2010-11 Annual Agenda Item Calendar

The Subcommittee accepted the proposed 2010-11 Annual Agenda Item Calendar.

AGENDA ITEM 7 – PUBLIC COMMENT

There were no public comments.

The meeting was adjourned at approximately 5:10 p.m.

The next Subcommittee meeting is scheduled for February 14, 2011 at a time to be determined in Sacramento, California.